



## STATE OF RHODE ISLAND

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**To: Luly Massaro, Commission Clerk  
Public Utilities Commission**

**From: Al Contente, Utility Analyst  
Division of Public Utilities & Carriers**

**Date: December 7, 2022**

**Re: Docket 22-44-EL Block Island Utility District Annual Recalculation of Last Resort and  
Transmission Charges**

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On November 3, 2022, Block Island Utility District (“BIUD” or the “Company”) filed its annual recalculation of the Last Resort Service (“LRS”) and the Transmission Rates. BIUD requested new rates effective January 1, 2023. The Division respectfully provides the following comments on BIUD’s filing.

### **LRS and Transmission Filing**

The LRS and Transmission rate filing included actual revenues and expenses for the period beginning May 1, 2022, and ending October 31, 2022, and projected amounts for the period beginning November 1, 2022, and ending December 31, 2023. The filing also included a projected over recovery at the end of the current reconciliation period (December 2022) of \$65,158. The Company is expected to submit a supplemental filing on or near December 7, 2022, that will include actual figures to replace estimates for the month of November where available.

The over recovery of \$65,158 is a sum of a forecast balance of \$14,435 for Power Supply Service and a balance of \$49,722 for the Transmission Charge account. The Division confirmed that the Company will carry-over projected ending balances to the upcoming reconciliation period as required per the tariff.

## **Proposed Rates**

- The current Last Resort Service rate is \$0.0879/kWh and the proposed rate is \$0.1036/kWh which is an increase of \$0.0157/kWh.
- The current Transmission rate is \$0.0699/kWh and the proposed rate is \$0.0784/kWh which is an increase of \$0.0085/kWh.
- Combined, the new rates represent an overall increase in rates of \$0.0242/kWh which results in an increase of \$12.12 for a residential customer using 500 kilowatt-hours in a given month.

## **Change of Fiscal Period**

BIUD is proposing to change the current rate period of May 1 through April 30 to align with the calendar year period beginning January 1 and ending December 31. The suggested rate year will align the reconciliation period with the Company's current fiscal year. In support of its decision, the Company identified two reasons for the proposed change.<sup>1</sup> First, the Company testified that a rate year of January 1 to December 31 would match the Company's fiscal year. The current rate period of May 1 to April 30 was originally set in order to match the for-profit Block Island Power company's fiscal year. Second, the Company states there are concerns that there would be an under collection due to the higher price of the amended power supply contract that went into effect immediately following the execution of two contracts on July 6<sup>th</sup>. The current amended contract sunsets on April 30, 2023, and the following contract is for the period beginning May 1, 2023 and ending October 31, 2025.

## **Sales forecast**

As in its last filing, BIUD relied on a two-year average for setting the estimated sales for the upcoming year. In the past, the Company has used a three-year average. However, BIUD is still hesitant to include sales in its forecasts for years it believes were impacted by COVID19. Using the months of May through September as an indicator, the Company's forecast was off by approximately 7%, which the Division considers reasonable.

The Division considered whether it was necessary to adjust the sales forecast to account for a planned electrification program for island residents. In 2022, a local philanthropist provided sizable grants to BIUD residential customers to support the installation of electric heat pumps. The addition of heat pumps would add to BIUD's overall electric load. However, the program is on-hold due to the loss of one of the only heat pump installation contractors on the island.<sup>2</sup>

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<sup>1</sup> BIUD Reconciliation Filing, Bebyn Testimony, p. 2.

<sup>2</sup> See PUC Docket No. DR-2-11.

## **Division Review**

The Division's review of the filing included but was not limited to: 1) reviewing calculations for mathematical accuracy; 2) agreed actual costs to invoices included in the filing; and 3) contemplating whether the proposed annual timeline and newly amended contracts were reasonable.

As noted in BIUD's filing, the majority of the Company's energy is supplied through a contract that provides load following service. The price under the contract was originally \$49.90/MWh. However, the Company re-negotiated the terms of the contract to allow for the purchase of a greater amount of energy at an increased price of \$65.25/MWh. The Company noted in its testimony that this change "brought BIUD's open position to as close to 100% hedged as possible."<sup>3</sup> Alternatively, the Company would have had to secure energy from the spot market for part of its load where prices could be much higher than the contract price. The current contract expires on April 30, 2023. An additional contract was settled upon that continues from May 1, 2023, through October 31, 2025. The price of 76.50/MWh was decided by the district management team in consultation with Energy New England and approved by the Utility District Board. During discussions with the Division, the Company stated that it considered the uncertainty of rising energy prices, partially due to the war in Ukraine, and thought it best to lock in a long-term contract rate at what they thought was a reasonable price.

This year there were also increased fuel costs due to an issue with Rhode Island Energy equipment on the island. BIUD relied on their diesel generation for over 20-hours in mid-November. The fuel-related costs for that outage were not included in the filing, but the Division understands that they will be included in an amended filing expected to be filed before the hearing scheduled for December 14, 2022.

## **Conclusion**

The Company is proposing a Last Resort Service rate of \$0.1036 and a Transmission rate of \$0.0784 for rates effective on January 1, 2023. The proposed rates filed in this docket for the period January 1, 2023, through December 31, 2023, represent an increase in overall rates and appear to be properly calculated. The Division also has confidence with the Company and their assessment of the forecasts for the upcoming rate year. Therefore, the Division believes the proposal as submitted by the Company is in the best interest of ratepayers and recommends approval. Notwithstanding, the Division reserves the right to alter its recommendation should subsequent data responses or supplements to the Company's original filing give rise to any material changes to the proposal.

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<sup>3</sup> BIUD Reconciliation Filing, Bebyn Testimony, p. 2.